



**Town of Arlington • Office of the Town Manager**

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**January 15, 2020**

**To: The Honorable Select Board and Finance Committee**

I hereby transmit to you the recommended FY2021 operating and capital budgets and the FY2021-2025 capital plan. The budget as proposed totals \$178,709,776 which is an increase of \$6,771,129 (3.94%) from the current budget. A summary showing a comparison of the FY2020 and FY2021 revenues and expenditures is shown on page 3. Also, this budget proposal will be made available via the Town's online budget tool, Arlington Visual Budget, by February 3rd. It can be viewed at [arlingtonvisualbudget.org](http://arlingtonvisualbudget.org).

FY2020, the current fiscal year, is the first year of a four-year plan that incorporated the Proposition 2 ½ override of 2019 designed to carry the Town's budgets through FY2023. The Select Board adopted a set of commitments which served as the basis for the \$5,500,000 operating override that was successfully passed via a Town-wide ballot measure on June 11, 2019. The Board's commitments and the status of fulfilling them are as follows:

1) Exercise fiscal discipline, and provide quality municipal services.

- a. Commit to no Proposition 2½ overrides for at least four years. – **This budget submission maintains this commitment.**
- b. Continue to increase general education operating budgets by 3.5% annually. – **This commitment is maintained.**
- c. Continue to increase general government operating budgets by 3.25% annually. – **This commitment is maintained with a proposed Town budget increase of 3.21%.**
- d. Continue to fund special education cost growth at a rate of 7% per year. – **This commitment is maintained.**

2) Respond to ongoing school enrollment growth pressures. Increase the education budget for future enrollment increases at a rate of 50% of per pupil expenditures. – **This commitment is maintained.**

3) Build Arlington's future.

- a. Phase in funding of the School Committee's Multi-Year Plan to: address the impact of explosive enrollment growth of 27% since 2011; improve instruction; close the achievement gap for high needs students; ensure safe and supportive schools; and attract, retain, and develop talented staff. Adopt the following schedule of increases to base operating budgets: FY20 - \$600,000; FY21 - \$600,000; FY22 - \$800,000; FY23 - \$800,000. – **This commitment is maintained.**
- b. Improve mobility for all residents, and support the goals of the Town's Complete Streets and Age-Friendly Community initiatives by adding \$250,000 to the base budget for pedestrian infrastructure -- including sidewalk brick removal and repair -- and senior transportation, such investments to be guided by the Town's sustainable mobility planning efforts. – **This commitment is maintained, with \$200,000 for mobility improvements being included in the capital budget and \$50,000 in funding included in the Council on Aging Transportation Enterprise Fund.**

4) Minimize impact on taxpayers, particularly seniors and others with income challenges.

- a. Advance new tax relief programs, including a municipal circuit breaker and increased eligibility for property tax deferral options, and publicize existing relief programs. – **Several programs under this category were approved by Town Meeting in the spring of 2019 and are awaiting approval by the state legislature.**
- b. Remove certain water and sewer debt costs from property tax bills. – **The Select Board has committed to reducing the MWRA Debt Shift in coordination with the issuance of debt related to the Arlington High School Project.**
- c. Pursue new revenue sources. – **This commitment is fulfilled on a year over year basis. Most recently the adoptions of a short term rental tax and adult use marijuana tax have been approved.**
- d. Work with financial leadership to develop bonding schedules that will minimize single-year tax increases and debt service costs related to the Arlington High School rebuild. – **This commitment is being maintained by the Town's Finance Department.**

5) Protect against future fiscal shocks, and maintain the Town's strong bond rating. Maintain financial reserves at 5% or better for the duration of the four-year plan. – **This commitment is maintained.**

Beyond the investments outlined above, the FY2021 budget proposal is a level service budget that maintains core municipal services (Police, Fire, DPW) at current levels. Targeted investments have been made to address community needs and the details of those changes are discussed on page 4 and beyond.

## Overall General Fund Budget Summary

	FY2018 Budget	FY2019 Budget	FY2020 Budget	FY2021 Budget	Change \$	%
<b>Revenue</b>						
Property Tax	\$ 117,255,201	\$ 124,010,977	\$ 133,350,155	\$ 137,117,472	\$ 3,767,317	2.8%
Local Receipts	\$ 9,071,000	\$ 9,171,000	\$ 9,871,000	\$ 9,971,000	\$ 100,000	1.0%
State Aid	\$ 19,207,063	\$ 20,039,795	\$ 22,481,187	\$ 23,120,921	\$ 639,734	2.8%
School Construction Aid	\$ 1,615,914	\$ 476,523	\$ 476,523	\$ 476,523	\$ -	0.0%
Free Cash	\$ 4,850,566	\$ 4,593,375	\$ 5,559,782	\$ 5,901,388	\$ 341,606	6.1%
Other Funds	\$ 500,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	0.0%
Override Stabilization Fund	\$ -	\$ 2,786,331	\$ -	\$ 1,922,472	\$ 1,922,472	-
<b>TOTAL TAXES, FEES, AID, AND OTHER SOURCES</b>	\$ 152,499,744	\$ 161,278,001	\$ 171,938,647	\$ 178,709,776	\$ 6,771,129	3.9%
Transfers in (Offsets)	\$ 2,436,791	\$ 2,490,562	\$ 2,580,233	\$ 2,640,236	\$ 60,003	2.3%
<b>TOTAL REVENUES</b>	\$ 154,936,535	\$ 163,768,563	\$ 174,518,880	\$ 181,350,012	\$ 6,831,132	3.9%
<b>Expenditures</b>						
<i>Municipal Departments Appropriations *</i>	\$ 37,036,557	\$ 38,214,820	\$ 39,718,054	\$ 40,762,517	\$ 1,044,463	2.6%
<i>Offsets and Indirect Costs</i>	\$ (2,436,791)	\$ (2,490,562)	\$ (2,580,233)	\$ (2,640,236)	\$ (60,003)	2.3%
Municipal Departments (Taxation Total)	\$ 34,599,766	\$ 35,724,258	\$ 37,137,821	\$ 38,122,281	\$ 984,460	2.7%
School Department	\$ 60,928,485	\$ 66,253,022	\$ 71,427,139	\$ 76,030,531	\$ 4,603,392	6.4%
Minuteman School	\$ 4,291,333	\$ 4,936,724	\$ 5,384,690	\$ 6,532,053	\$ 1,147,363	21.3%
Non-Departmental (Healthcare & Pensions)	\$ 27,381,296	\$ 27,924,645	\$ 29,247,782	\$ 31,217,722	\$ 1,969,940	6.7%
Capital (Includes Debt Service)	\$ 11,523,825	\$ 12,857,157	\$ 13,196,044	\$ 13,400,912	\$ 204,868	1.6%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ 5,593,112	\$ 5,593,112	\$ -	0.0%
Warrant Articles	\$ 1,319,355	\$ 1,153,137	\$ 1,186,867	\$ 1,159,022	\$ (27,845)	-2.3%
Reserve Fund & Elections	\$ 1,506,440	\$ 1,553,287	\$ 1,604,584	\$ 1,726,724	\$ 122,140	7.6%
Override Stabilization Fund Deposit	\$ 211,136	\$ -	\$ 2,174,510	\$ -	\$ 0	-
<b>TOTAL EXPENDITURES</b>	\$ 147,354,748	\$ 155,995,342	\$ 166,952,549	\$ 173,782,357	\$ 6,829,808	4.1%
<b>Non-Appropriated Expenses</b>	\$ 5,144,996	\$ 5,282,659	\$ 4,986,098	\$ 4,927,419	\$ (58,679)	-1.2%
<b>Surplus / (Deficit)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	-

## **Departmental Budgets**

Departmental operating budgets have been held to a 3.21% increase in accordance with the Long Range Plan. Five full time positions and 2.14 part time positions have been added to the budget (see personnel chart on page 5). Some of the more significant budget changes include:

### **Public Works (DPW): +\$314,713**

The DPW budget proposes an increase of \$154,806 in solid waste hauling and solid waste disposal as a result of contractual obligations and the addition of staff funding for curbside enforcement . The DPW budget also includes funding for a Systems Innovation Manager (\$79,088) position along with funding for a Permit Engineer (\$69,319) position. The first position will work with DPW divisions to modernize business processes and workflows. The second position will provide a dedicated resource within DPW for managing street opening permits requested and ensuring compliance with the Town's trench maintenance standards.

### **Health and Human Services (HHS): +\$156,457**

The HHS budget includes an incremental increase of \$14,453 in order to make the Diversity, Equity and Inclusion Coordinator's position full-time. This budget also includes partial funding (\$19,000) for the Public Health Director position which had been supported by a revolving fund in previous years. The HHS budget also includes an increase of \$10,000 for rodent control efforts and a \$14,000 increase in funding for mosquito control.

### **Police Department: +\$270,737**

The Police Department budget includes \$59,557 for the addition of a new Police Officer position, which would allow for the creation of a second School Resource Officer (SRO) position. This position is being proposed to better serve the growing needs of the School Department.

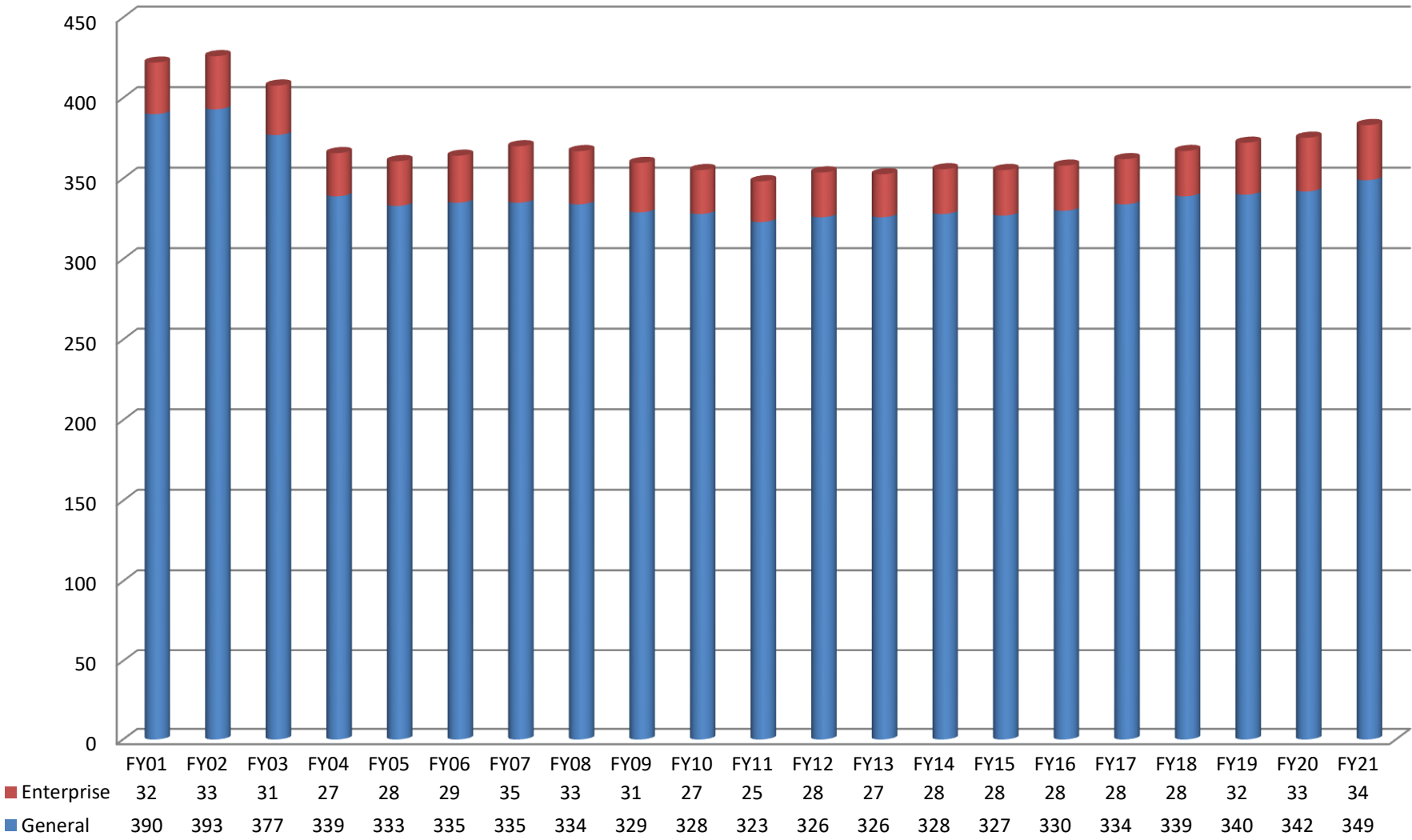
### **Information Technology: +\$154,824**

The Information Technology budget includes an increase of \$120,000 in order to move Munis, the Town's enterprise financial software, to become remotely hosted. This budget also includes \$25,000 in order to fund a cyber-security assessment.

### **Town Manager's Office: +\$77,740**

The Town Manager's budget includes \$32,822 to increase the Public Information Officer to a full time position and \$34,660 to create a part-time position to coordinate responses to public records requests.

Town Personnel Trends  
FY 2001 - FY2021 FTEs



### **Healthcare/Other Post-Employment Benefits (OPEB)**

Healthcare premiums are assumed to increase by 5.25% in the FY2021 budget. There is also an assumption of an increase in benefit-eligible school department employees based on the previously discussed growth factor funding increase. This assumption is carried throughout the Long Range Plan. The actual cost of premiums will not be known until the Group Insurance Commission (GIC) releases FY2021 rates on March 1<sup>st</sup>. At that time, adjustments can be made to the healthcare budget accordingly.

In FY2021, the Town will once again ask for a direct appropriation from the Health Claims Trust Fund into the Town's OPEB Trust Fund. The Town's portion of the Health Claims Trust Fund has an approximate balance of \$1,700,000. The FY2021 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the eighth year in what is a recommendation to adopt this practice for a ten year period or until the Health Claims Trust Fund is exhausted. This \$300,000 contribution is in addition to the \$636,983 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2021 to \$936,983. The table below provides information regarding the Town's OPEB Trust Fund and OPEB liability.

<b>Town of Arlington OPEB Liability - As of January 1, 2018</b>				
Year	Total Liability	Total Assets	Net Liability	Percent Funded
2017	\$234,089,146	\$11,201,306	\$222,887,840	4.8%
2018	\$196,579,007	\$12,854,012	\$183,724,995	6.5%

### **Collective Bargaining and Employee Relations**

All Town and School employee unions have contracts in place through the close of the current fiscal year, FY2021, except the Arlington Police Patrol Officers Association. Bargaining with this union is ongoing.

### **State Aid**

State aid is projected to increase by \$639,734 or 2.85% in FY2021. This projected increase is due to an assumption that Chapter 70 will increase by 4% and Unrestricted General Government Aid (UGGA) will increase by 1% and other state aid accounts will remain level. This assumption will result in an increase in Chapter 70 funding of \$559,173 and an increase of \$80,561 in the UGGA allocation.

The Governor's budget, scheduled to be released January 23<sup>rd</sup>, will be our first indication of what local aid may look like.

## **Financial Structure and Outlook**

Each year, for many years, the Town has had a structural deficit whereby the growth in revenues has not kept pace with the growth in costs necessary to maintain a level service budget. The annual structural deficit is estimated between \$2.0 and \$2.5 million. As a result of being a built out (further density being the only real growth opportunity) community with limited available growth in its tax base and only recent improvement in its state aid, the Town has had to rely on periodic tax overrides to sustain service levels. Still, in the nearly 40 years of Proposition 2½, there have been only four general tax overrides (inclusive of the June 2019 override).

Looking ahead, the Town is engaged in a planning process to consider changes within the Town's industrial zoning districts which could lead to heightened growth in the tax base. Additionally, there is an ongoing discussion regarding further mixed use development along the Town's commercial corridors which also holds the potential for tax base growth beyond current levels.

### **Capital**

The Town's capital improvements program policies call for the allocation of approximately 5% of the general fund revenues to the capital budget. This is exclusive of dedicated funding sources such as enterprise funds, grants, and proposition 2 ½ debt exclusion projects. For FY2021 funding for the capital budget is as follows:

Bonding: \$3,585,650

Cash: \$4,242,512

Other: \$3,844,072

Our existing non-exempt debt is \$6,426,415 which is consistent with prior debt service projections for FY2021. The total capital budget for FY2021, including debt, is estimated at \$11.8 million. Major projects to be funded in FY2021 include street and sidewalk work for approximately \$2.6 million, and water and sewer work for \$2.7 million.

## **Conclusion**

Every effort has been made to implement all appropriate measures that will maximize the productivity of our organization and deliver the highest quality of services within available resources. Our entire management team has worked collectively to implement creative ways of doing more with less. We remain committed to maintaining the high quality of life our residents expect and deserve.

As the budget process evolves and additional information becomes available over the next few months, the estimates and recommendations contained herein will be adjusted as required. You will then be able to make operating and capital budget adjustments as deemed advisable prior to Town Meeting.

The document presented for your consideration is a product of a great deal of work. Our department heads, second to none in the Commonwealth in terms of professional competence and dedication to their tasks, provided invaluable input and assistance. Members of boards and commissions also offered valuable assistance. In particular, I would like to thank the Select Board for its policy insights and leadership. I am most of all indebted to Sandy Pooler, Deputy Town Manager and Julie Wayman, Management Analyst for the production of this budget document. They deserve special recognition for the quality of the budget document and the information and the data contained herein. Both of these valuable team members spent evenings and weekends assisting in the production of this document.

Respectfully submitted,



Town Manager